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SPECIALIZED BICYCLE COMPONENTS, INC.

11 IN THE UNITED STATES DISTRICT COURT
12 FOR THE NORTHERN DISTRICT OF CALIFORNIA

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TABLE OF CONTENTS

	<u>Page No.</u>	
2		
3	I. INTRODUCTION	2
4	II. FACTUAL BACKGROUND.....	2
5	III. LEGAL STANDARDS	3
6	IV. THIS LAWSUIT IS AN IMPERMISSIBLE COLLATERAL ATTACK	
7	ON THIS COURT'S RULING IN <i>ICON I</i>	4
8	V. THIS ACTION IS BARRED BY THE PROHIBITION ON CLAIM	
9	SPLITTING	5
9	VI. CONCLUSION.....	9

TABLE OF AUTHORITIES

	<u>Page No(s).</u>
2	
3	<i>Acumed LLC v. Stryker Corp.</i> , 525 F.3d 1319 (Fed. Cir. 2008) 6
4	
5	<i>Adams v. California Dept. of Health Services</i> , 487 F.3d 684 (9th Cir. 2007) 5
6	
7	<i>American Stock Exchange, LLC v. Mopex, Inc.</i> , 215 F.R.D. 87 (S.D.N.Y. 2002) 8
8	
9	<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009) 3
10	
11	<i>Barron v. Reich</i> , 13 F.3d 1370 (9th Cir. 1994) 3
12	
13	<i>Bell Atl. Corp. v. Twombly</i> , 550 U.S. 544 (2007) 3
14	
15	<i>Cent. Delta Water Agency v. United States</i> , 306 F.3d 938 (9th Cir. 2002) 6
16	
17	<i>CIVIX-DDI, LLC v. Expedia, Inc.</i> , Case No. 04 C 8031, 2005 WL 1126906 (N.D. Ill. May 2, 2005) 8
18	
19	<i>Foster v. Hallco Mfg. Co.</i> , 947 F.2d 469 (Fed. Cir. 1991) 6
20	
21	<i>Fujitsu Ltd. v. Tellabs Operations, Inc.</i> , Case No. 12 C 3229, 2013 WL 361810 (N.D. Ill. Jan. 30, 2013) 9
22	
23	<i>Glitsch, Inc. v. Koch Eng'g Co.</i> , 216 F.3d 1382 (Fed. Cir. 2000) 4, 5
24	
25	<i>Hako-Med USA, Inc. v. Axiom Worldwide, Inc.</i> , Case No. 10-00384, 2010 WL 4448824 (D. Haw. Oct. 29, 2010) 8, 9
26	
27	<i>Icon-IP Pty Ltd. v. Specialized Bicycle Components, Inc.</i> , Case No. CV-12-3844 JST (“Icon IP”) passim
28	
29	<i>Kim v. Sara Lee Bakery Group, Inc.</i> , 412 F. Supp. 2d 929 (N.D. Ill. 2006) 9
30	
31	<i>Mack v. Kuckenmeister</i> , 619 F.3d 1010 (9th Cir. 2010) 3
32	

1 **TABLE OF AUTHORITIES**
 2 (continued)

3 Page No(s).

4	<i>Mars Inc. v. Nippon Conlux Kabushiki-Kaisha,</i> 58 F.3d 616 (Fed. Cir. 1995)	5
5	<i>Nystrom v. Trex Co.,</i> 580 F.3d 1281 (Fed. Cir. 2009)	6, 8, 9
6	<i>Orion IP, LLC v. Home Depot USA, Inc.,</i> Case No. 2:05-CV-306, 2005 U.S. Dist. LEXIS 45632 (E.D. Tex. Oct. 7, 2005).....	5, 8
9	<i>Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.,</i> Case No. 08-309, 2009 U.S. Dist. LEXIS 58455 (D. Del. July 9, 2009)	5
10	<i>Single Chip Systems Corp. v. Intermec IP Corp.,</i> 495 F. Supp. 2d 1052 (S.D. Cal. 2007)	6, 8
11		
12		
13		
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1 PLEASE TAKE NOTICE, that, on October 3, 2013, at 2:00 p.m., or as soon thereafter
2 as the matter may be heard, in the courtroom of the Honorable Jon S. Tigar, of the United
3 States District Court for the Northern District of California, Courtroom 9, 450 Golden Gate
4 Avenue, San Francisco, Defendant SPECIALIZED BICYCLE COMPONENTS, INC.
5 (“Specialized”) will and hereby does move this Court to dismiss the Complaint of Plaintiff
6 ICON-IP PTY, LTD (“Icon”) in its entirety. Specialized moves to dismiss the Complaint
7 pursuant to Federal Rule of Civil Procedure 12(b)(6) on the grounds that this action is an
8 impermissible collateral attack on a prior court order, and that the action is barred by the
9 prohibition against claim splitting.

10 This Motion is based on this Notice of Motion and Motion to Dismiss and the
11 accompanying Memorandum of Points and Authorities; the documents of record in this action
12 and in *Icon-IP Pty Ltd. v. Specialized Bicycle Components, Inc.*, Case No. CV-12-3844 JST
13 (“Icon I”); any evidence or argument presented at the hearing on this Motion; and the
14 Proposed Order filed concurrently with this Motion.

15 KNOBBE, MARTENS, OLSON & BEAR, LLP

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17 Dated: August 28, 2013

By: /s/Timothy J. Goodson
Darrell L. Olson
Timothy J. Goodson

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Attorneys for Defendant SPECIALIZED BICYCLE
COMPONENTS, INC.

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MEMORANDUM OF POINTS AND AUTHORITIES**I. INTRODUCTION**

By this lawsuit, Icon attempts to circumvent this Court's ruling in *Icon-IP Pty Ltd. v. Specialized Bicycle Components, Inc.*, Case No. CV-12-3844 JST ("Icon I") that excluded the very same products being accused in this case. The Court should dismiss this case as an impermissible collateral attack on this Court's previous ruling. When a party receives an adverse ruling with which it disagrees, there are several procedural options for challenging the ruling, such as a motion for reconsideration or an appeal. Filing a new lawsuit that directly contradicts the ruling is not among them. If a party could simply file a new lawsuit to recapture models that were excluded under the patent local rules, the patent local rules would serve no purpose.

This lawsuit is also barred by the prohibition on claim splitting. The claim splitting doctrine is based on the requirement that a plaintiff must raise in a single lawsuit all the grounds of recovery arising from a single transaction or series of transactions that can be brought together. In the patent infringement context, courts have applied the claim splitting doctrine to prevent a party from bringing a second action to assert claims or products that the Court had excluded from a first action. Icon already has a pending case asserting these two patents against Specialized, and Icon has repeatedly stated that its infringement theories for the models it seeks to accuse in this case are the same as for the saddles being litigated in *Icon I*. Thus, this case is duplicative of *Icon I* and should be dismissed for improper claim splitting.

II. FACTUAL BACKGROUND

On July 23, 2012, Icon filed a complaint accusing Specialized of infringing U.S. Patent Nos. 6,378,938 and 6,254,180. *Icon I*, Dkt. No. 1. On November 28, 2012, Icon served its infringement contentions in which it accused 31 models of infringing the '938 patent and 33 models of infringing the '180 patent. *See Icon I*, Dkt. No. 44 at 2.

On March 28, 2013, Icon filed a motion for leave to amend its infringement contentions to add 53 models to that case. *Id.*; *Icon I*, Dkt. No. 34. In support of its motion,

1 Icon repeatedly represented that the models it sought to add were “very similar, if not
 2 identical, to the accused saddles Icon included in its initial Infringement Contentions” and
 3 that Icon had “determined that these models infringe in the same manner as the original
 4 accused seats.” *Icon I*, Dkt. No. 34 at 3–4. *See also id.* at 5, 8, 9; Dkt. No. 41 at 2, 8.

5 On April 29, 2013, the Court granted Icon’s motion in part and denied it in part. *Icon*
 6 *I*, Dkt. No. 44. In its ruling, the Court noted that “Icon contends that all 53 models are similar
 7 to the models it originally accused of infringement, and thus, its theories of infringement will
 8 not change as a result of the proposed amendments.” *Id.* at 2. The Court granted Icon leave
 9 to add four models, an addition Specialized had stipulated to for the purpose of narrowing the
 10 issues in the motion. *Id.* at 3. As to the remaining 49 models, the Court concluded that Icon
 11 had failed to satisfy its burden to show that it was diligent, and denied leave to amend to add
 12 those models. *Id.* at 4–5.

13 On August 8, 2013, Icon filed the complaint in this case (“*Icon II*”), which again
 14 asserts the ’180 and ’938 patents against Specialized. Dkt. No. 1 ¶¶ 3, 9–10. The *Icon II*
 15 complaint accuses 38 models of infringing the ’180 patent and 48 models of infringing the
 16 ’938 patent. *Id.* ¶¶ 9–10. Every model identified in the *Icon II* complaint was among the 49
 17 models that the Court excluded from *Icon I*. Compare *id.* ¶¶ 9–10 with *Icon I*, Dkt. No. 34-1,
 18 Ex. H at 3–4. Thus, *Icon II* is nothing more than a brazen end-run around this Court’s Order
 19 in *Icon I*.

20 **III. LEGAL STANDARDS**

21 A motion to dismiss under Rule 12(b)(6) tests the legal sufficiency of the pleadings.
 22 A court should dismiss a complaint where it fails to contain “enough facts to state a claim to
 23 relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007); see
 24 also *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). In ruling on a 12(b)(6) motion to dismiss, a
 25 court may consider facts subject to judicial notice, such as matters of public record and prior
 26 court proceedings. *Mack v. Kuckenmeister*, 619 F.3d 1010, 1014 n.1 (9th Cir. 2010); *Barron*
 27 *v. Reich*, 13 F.3d 1370, 1377 (9th Cir. 1994). Therefore, this Court may properly take judicial
 28 notice of Icon’s representations made in its papers filed in *Icon I*.

1 **IV. THIS LAWSUIT IS AN IMPERMISSIBLE COLLATERAL ATTACK ON THIS**

2 **COURT'S RULING IN ICONI**

3 After the Court ruled against Icon in the contested portion of its motion for leave in
 4 *Icon I*, Icon did not move for reconsideration, seek an immediate appeal, or take any other
 5 action to challenge the ruling. Instead, Icon waited over three months and has now filed a
 6 new action to pursue the same products that were excluded by the Court's Order. If this tactic
 7 were permitted, the progression of specific, binding disclosures required by the patent local
 8 rules would be a pointless waste of time. More broadly, if a litigant could revive a portion of
 9 its case that was disposed of by an adverse court ruling by simply filing a new case, most
 10 pretrial motion practice would be a futile exercise. Several cases have recognized the self-
 11 evident principle that the remedy for an adverse ruling is an appeal, not a new lawsuit.

12 In *Glitsch, Inc. v. Koch Eng'g Co.*, 216 F.3d 1382 (Fed. Cir. 2000), the defendant in a
 13 patent infringement action sought to amend its answer to present additional defenses, but the
 14 district court denied that motion on the ground that it was untimely. The defendant then filed
 15 a declaratory judgment action to present the same claims that were disallowed in the first
 16 action. The district court granted summary judgment against the declaratory judgment
 17 claims, and the Federal Circuit affirmed:

18 What Glitsch is attempting to do in this case is to use a second action to raise a
 19 defense that should be litigated in the first action, which is still pending.
 20 Glitsch unsuccessfully sought to raise its defense in the first action, and it now
 21 contends that it may raise the same legal claim in the second action because
 22 the district court was wrong when it barred Glitsch from raising that claim as a
 23 defense in the first case. There is, however, a strong and sensible policy
 24 against such a tactic. When a court enters an order that a party does not like,
 25 the party's recourse is to seek relief on appeal; it is not appropriate for the
 26 party to contest the court's order by filing a new action seeking a declaratory
 27 judgment challenging the court's ruling in the first case.

28 *Id.* at 1384.

1 Likewise, in *Orion IP, LLC v. Home Depot USA, Inc.*, Case No. 2:05-CV-306, 2005
 2 U.S. Dist. LEXIS 45632 (E.D. Tex. Oct. 7, 2005), during a first action, the court struck the
 3 patentee's amended infringement contentions because the patentee failed to show good cause
 4 for the amendments under the patent local rules. The patentee then filed a second lawsuit
 5 asserting the same allegations that were struck in the first lawsuit. *Id.* at *2. The court
 6 dismissed the second case based on its finding "that by bringing the Second Action, Orion is
 7 engaging in an impermissible collateral attack on this Court's prior order. While Orion may
 8 disagree with the Court's ruling on the timeliness of its contentions, it must seek relief on
 9 appeal rather than filing another lawsuit." *Id.* at *5 (citing *Glitsch*, 216 F.3d at 1384). *See*
 10 *also Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, Case No. 08-
 11 309, 2009 U.S. Dist. LEXIS 58455, at *8–11 (D. Del. July 9, 2009) (when patentee sought in
 12 second action relief that was denied in a first action, noting that the patentee "is essentially
 13 asking me to sit as an appellate court and reverse Judge Farnan's denial of [the patentee's]
 14 motion [for an accounting in the first action]. . . . It is not at all clear that [the patentee] can
 15 be granted in *Fairchild II* precisely what it asked for and was denied in *Fairchild I*").

16 Consistent with these authorities, Icon's Complaint in this action is an improper
 17 collateral attack on this Court's ruling in *Icon I* and it should be dismissed for that reason.

18 **V. THIS ACTION IS BARRED BY THE PROHIBITION ON CLAIM SPLITTING**

19 "It is well established that a party may not split a cause of action into separate grounds
 20 of recovery and raise the separate grounds in successive lawsuits; instead, a party must raise
 21 in a single lawsuit all the grounds of recovery arising from a single transaction or series of
 22 transactions that can be brought together." *Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58
 23 F.3d 616, 619 (Fed. Cir. 1995). *See also Adams v. California Dept. of Health Services*, 487
 24 F.3d 684, 688 (9th Cir. 2007) (applying claim splitting doctrine to affirm dismissal with
 25 prejudice of a second action that the plaintiff filed "in an attempt to avoid the consequences
 26 of her own delay and to circumvent the district court's denial of her untimely motion for
 27 leave to amend her first complaint"). "The main purpose behind the rule preventing claim
 28 splitting is to protect the defendant from being harassed by repetitive actions based on the

1 same claim.” *Single Chip Systems Corp. v. Intermec IP Corp.*, 495 F. Supp. 2d 1052, 1058
 2 (S.D. Cal. 2007).

3 To determine if claim splitting bars a subsequent case, the Ninth Circuit “borrows
 4 from the test for claim preclusion.” *Id.* at 1058. In a patent case, regional circuit law
 5 provides the general principles of claim preclusion that apply, while Federal Circuit law
 6 governs whether two claims for patent infringement are identical. *Acumed LLC v. Stryker*
 7 *Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008). “The Ninth Circuit applies claim preclusion
 8 where: ‘(1) the same parties, or their privies, were involved in the prior litigation, (2) the prior
 9 litigation involved the same claim or cause of action as the later suit, and (3) the prior
 10 litigation was terminated by a final judgment on the merits.’” *Id.* (quoting *Cent. Delta Water*
 11 *Agency v. United States*, 306 F.3d 938, 952 (9th Cir. 2002)).

12 Here, the first prong is clearly met, as the parties in this case are identical to the
 13 parties in *Icon I*. The third prong is a requirement for claim preclusion, but “what is required
 14 in the context of a claim-splitting analysis is to *assume* that the first suit was final, and then
 15 determine if the second suit could be precluded.” *Single Chip*, 495 F. Supp. 2d at 1059
 16 (emphasis in original).

17 Thus, the claim splitting analysis turns on the second prong, under which “an accused
 18 infringer must show that the accused product or process in the second suit is ‘essentially the
 19 same’ as the accused product or process in the first suit.” *Nystrom v. Trex Co.*, 580 F.3d
 20 1281, 1285 (Fed. Cir. 2009) (citing *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 480 (Fed. Cir.
 21 1991)). “Accused devices are ‘essentially the same’ where the differences between them are
 22 merely ‘colorable’ or ‘unrelated to the limitations in the claim of the patent.’” *Acumed*, 525
 23 F.3d at 1324 (citing *Foster*, 947 F.2d at 480). Under this standard, differences between
 24 products do not prevent them from being “essentially the same” unless the differences are
 25 pertinent to infringement. For example, in *Nystrom*, the patentee asserted that the accused
 26 products in the second suit were substantially different from the products in a first case due to
 27 differences in appearance and construction. The Federal Circuit held that those differences
 28 did not prevent the application of claim preclusion because they did not alter the infringement

1 analysis. 580 F.3d at 1286.

2 Here, the “essentially the same” standard is met by Icon’s own repeated
 3 representations in *Icon I* that the products it now accuses in this case are “very similar, if not
 4 identical, to the accused saddles Icon included in its initial Infringement Contentions” and
 5 that Icon had “determined that these models infringe in the same manner as the original
 6 accused seats.” *Icon I*, Dkt. No. 34 at 3–4. *See also id.* at 5 (“After further investigation of
 7 the seat models and the noted similarities between their shape and design to that of the
 8 already-accused models, Icon believed they infringed in the same manner as the seats
 9 currently sold by Specialized that were included in Icon’s Initial Infringement Contentions.”);
 10 *id.* at 8 (“[I]nclusion of the Toupe RBX models does not alter Icon’s infringement theory. . . .”)
 11 This is likewise true of the [other] seat models that Icon wishes to add. . . . Like the Toupe
 12 RBX models, the addition of these seats does not alter Icon’s theories of infringement or
 13 asserted claims.”); *id.* at 9 (“Moreover, addition of new accused seats does not change Icon’s
 14 infringement theory because the additional models are similar, if not identical, to the models
 15 identified in Icon’s Initial Contentions.”); Dkt. No. 34-8 (“[W]e believe the additional models
 16 we wish to add to our infringement contentions infringe in the same manner as the models
 17 included in our initial contentions.”); Dkt. No. 41 at 2 (“Specialized does not dispute that
 18 Icon’s proposed amendments do not substantially alter its infringement theory or asserted
 19 claims. . . .”); *id.* at 8 (“(3) the proposed amendments do not substantially alter Icon’s
 20 infringement theory”).

21 Consistent with its view that the additional models did not affect the infringement
 22 analysis, Icon’s infringement contentions included only one representative chart for all
 23 accused models, and did not prepare any additional charts in its proposed amended
 24 infringement contentions for which it sought leave. *Icon I*, Dkt. No. 34-9. *See also* Dkt. No.
 25 37 at 3–4, 6 n.2. The Court took note of Icon’s position in ruling on the motion: “Icon
 26 contends that all 53 models are similar to the models it originally accused of infringement,
 27 and thus, its theories of infringement will not change as a result of the proposed
 28 amendments.” *Icon I*, Dkt. No. 44 at 2.

1 Thus, according to Icon's own statements to this Court, any differences between the
 2 products in this case and the products in *Icon I* do not alter the infringement analysis and do
 3 not prevent the application of claim preclusion. *Nystrom*, 580 F.3d at 1286. *See also Hako-*
 4 *Med USA, Inc. v. Axiom Worldwide, Inc.*, Case No. 10-00384, 2010 WL 4448824, at *4 (D.
 5 Haw. Oct. 29, 2010) (dismissing second suit as barred by res judicata where the patentee's
 6 own assertions established that the accused product in the second suit was essentially the
 7 same as the accused product in a first suit).

8 The patent infringement case law provides ample precedent for “[c]ourts prohibit[ing]
 9 a litigant from splitting its claims into multiple actions when the litigant should have brought
 10 the claims in a single action.” *CIVIX-DDI, LLC v. Expedia, Inc.*, Case No. 04 C 8031, 2005
 11 WL 1126906, at *4 (N.D. Ill. May 2, 2005) (citing *American Stock Exchange, LLC v. Mopex,*
 12 *Inc.*, 215 F.R.D. 87, 91 (S.D.N.Y. 2002)). For example, in the *Orion IP* case discussed
 13 above, the court also found “that the doctrine of claim splitting prevents Orion from bringing
 14 claims in a second action that should have been timely brought in the first action.” 2005 U.S.
 15 Dist. LEXIS 45632, at *4. The court noted that the “Patent Rules demonstrate high
 16 expectations as to plaintiff's preparedness before bringing suit” and that allowing the patentee
 17 “to allege the same theories of infringement against [the defendant] that were previously
 18 struck would undercut the purpose of the patent rules. . . .” *Id.* at *3.

19 Likewise, in *CIVIX*, during a first action, the defendant moved to strike a
 20 supplemental response in which the patentee identified additional asserted claims. The
 21 patentee withdrew the response and filed a second suit asserting the additional claims. The
 22 court found that the second action was barred by the prohibition against claim splitting:
 23 “Civix attempts to assert new patent claims that it should have timely brought in the Initial
 24 Action. The doctrine of claim splitting prevents Civix from avoiding a potential adverse
 25 ruling from the Court regarding the timeliness of asserting the new claims in the Initial
 26 Action, by attempting to assert its new claims in the Second Action.” 2005 WL 1126906, at
 27 *4. *See also Single Chip*, 495 F. Supp. 2d at 1057 (dismissing second suit under claim
 28 splitting doctrine when the asserted claims had been excluded from a first case by the court's

1 denial of the patentee's motion for leave to amend its counterclaim); *Kim v. Sara Lee Bakery*
 2 *Group, Inc.*, 412 F. Supp. 2d 929, 934, 944 (N.D. Ill. 2006) (claim splitting barred second suit
 3 that patentee filed after court granted a defendant's motion in a first case to bar evidence
 4 relating to numerous formulas that the plaintiff sought to add to its list of accused infringing
 5 products).¹

6 While the weight of authority overwhelmingly supports a finding of impermissible
 7 claim splitting in the circumstances of this case, Specialized is aware of a case from the
 8 Northern District of Illinois in which the court denied a motion to dismiss a second case that
 9 accused models that were excluded from a first case. *Fujitsu Ltd. v. Tellabs Operations, Inc.*,
 10 Case No. 12 C 3229, 2013 WL 361810 (N.D. Ill. Jan. 30, 2013). But the reason the court
 11 declined to find claim splitting in *Fujitsu* was that the defendant had not shown that products in
 12 the second case were "essentially the same" as the products in the first case. *Id.* at *3. Here, as
 13 explained above, Icon's own representations in *Icon I* demonstrate that there are no differences
 14 between the saddles accused in this case and the *Icon I* accused saddles that are material to its
 15 infringement theories. *See Nystrom*, 580 F.3d at 1286; *Hako-Med*, 2010 WL 4448824, at *4.

16 **VI. CONCLUSION**

17 Specialized respectfully requests that this Court grant its motion to dismiss Icon's
 18 Complaint in this action as an impermissible collateral attack on this Court's previous ruling
 19 in *Icon I*, and because this case violates the prohibition on claim splitting.

20 KNOBBE, MARTENS, OLSON & BEAR, LLP

21 Dated: August 28, 2013

By: /s/Timothy J. Goodson

22 Darrell L. Olson
 23 Timothy J. Goodson

24 Attorneys for Defendant SPECIALIZED BICYCLE
 25 COMPONENTS, INC.
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27 ¹ Specialized is aware of two cases from this District that appear germane to this
 Motion, but both of those decisions have been designated "Not for Citation" under Civ. L.R.
 28 7-14. Pursuant to Civ. L.R. 3-4(e), Specialized omits discussion of those cases.